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H I G H L I G H T S

As Soviet prosecution of the cold war reached a new peak of intensity and militancy, tension throughout the world continued to grow, and the US was confronted both with pressure for greater material and moral aid to the non-Soviet world and with manifestations of anti-US sentiment in Africa, the Arab states, and India.

In its current offensive (see page 2), the USSR has not changed its previous tactics of subversion, violence, and diplomatic and propaganda pressure; the improved Soviet power position, however, enables the USSR to conduct its offensive on more fronts simultaneously and to adopt a more defiant and militant stand. The Kremlin is presumably confident that the West will not react with enough vigor to create conditions which might lead to actual hostilities.

Meanwhile, Western Europeans have responded to renewed Soviet aggressiveness by demanding fuller US participation in building the defense of Europe and by urging greater unity of action in prosecuting the cold war on the economic and political as well as military fronts (see page 4). Western efforts to resolve Yugoslavia's relations with Italy and Greece have also become more complicated (see pages 5 and 6).

THE SOVIET OFFENSIVE

Since the beginning of 1950, the USSR has gradually stepped up and expanded its diplomatic, political, and economic offensive against the West and the cold war has now reached another peak of aggressiveness and militancy.

Soviet objectives have not changed and the tactics now being used differ only in intensity and scope from those employed since the end of World War II. Although the USSR has improved its power position by announcing its possession of atomic secrets, increasing its military and industrial strength, consolidating its control of Eastern Europe, and making spectacular gains in the Far East, there is no indication that the USSR is yet willing to initiate armed conflict with the West. The strengthened Soviet power position, however, does permit the Soviet Union to apply greater pressures than it has in the past and on more fronts simultaneously.

As in the past, the present Soviet offensive is characterized by violence, subversion, unfounded accusations, and defiant, belligerent propaganda. Each time since the end of World War II that the Soviet Union has unleashed an intensive campaign of this kind, its effect has been to spur the Western Powers to greater defensive efforts.

Despite the results of these campaigns in the past, Communist doctrine and the very nature of the Soviet system tend to commit the Soviet leaders to achieve their ends through aggressive, militant means. Violence and subversion are an integral part of the Communist revolutionary technique and are naturally accompanied by a vigorous diplomatic offensive. Moreover, Soviet leaders consider it necessary to maintain the morale of

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Communists at home and abroad by demonstrating the power of the Soviet Union. Closely allied with this need, the Kremlin may feel that only by attacking and vilifying the West can it justify the rigid controls it maintains on the Soviet and Satellite people and prepare them psychologically for war. It seems likely, therefore, that the Soviet Union will continue its tactics of aggressive arrogance for some time; the intensity of the effort growing in proportion to increases in Soviet strength and concentrating on those issues and areas where Western strength is weakest.

Baltic Plane The current Soviet offensive reached its peak of militancy with the recent aircraft incident in the Baltic. In addition to attempting to prove to the world that the Soviet Union can be neither imposed upon nor intimidated, the USSR has sought to emphasize the military significance of the flight, thus playing upon popular war fears and lending weight to peace appeals. Moreover, in decorating the Soviet pilots who presumably participated, Moscow was, in effect, pointing with pride to the ability of Soviet defensive aviation to protect the homeland from US strategic air power. Finally, the plane incident has been used to convince the Soviet and Satellite peoples that Western aggression is not merely a figment of Kremlin imagination.

Other Aspects Soviet self-assurance is apparent in other East-West issues. Soviet defiance of the UN continues. Western missions are being subjected to increased insult and intimidation throughout the Soviet orbit. The tone of Soviet propaganda is growing steadily more provocative, and Communist parties outside the Soviet orbit show a mounting militancy. Concurrently with these aggressive moves, Moscow is probing the defenses of the opposition on a number of fronts. It is testing the degree of Western determination to remain in Berlin; it is agitating, through diplomacy and propaganda, the questions of Trieste and the Turkish Straits; and its support of the Communist movements of Asia is becoming more open and more direct.

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SECRET**NON-SOVIET PRESSURE ON THE US**

An immediate effect of the current Soviet offensive (see page 2) is to increase pressure on the US for material and moral support to non-Communist nations. Moreover, the current state of the cold war has complicated the problem of the US in dealing with the development of more cordial relations between Yugoslavia and its pro-Western neighbors. This pressure is coming at a time when the US is facing manifestations of anti-US sentiment in such important strategic areas as the Arab states, India, and Northwest Africa.

Western Europe Western European reaction to renewed Soviet aggressiveness has been a reallization of the need both for greater Western consolidation against the Soviet menace and for greater US support. One indication of this reaction is French Premier Bidault's proposal for creation of an Atlantic High Council to integrate the political, economic, and military policies of the Atlantic community in the cold war. Such proposals reflect European uncertainty over the adequacy of the Atlantic Pact as presently organized and the European desire to tie the US ever more closely to its European allies. Coincident with this trend, more and more Europeans are coming to recognize the necessity of a more equal role for Germany in Western Europe. The West Germans are increasingly confident of their pivotal position in the cold war and are actively bargaining for a more nearly equal position with other West European nations in steps toward Western "integration." Meanwhile, sentiment within Germany in favor of neutrality is growing, thus projecting the "battle for Germany," a key issue in the cold war, into a new phase.

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Trieste Issue US efforts to find a solution to the Trieste problem which will not impede the improvement of relations between Italy and Yugoslavia have been complicated by the recent Soviet demand for immediate implementation of the Italian peace treaty provisions regarding Trieste. In its continuing efforts to undermine the Tito regime, the USSR is anxious to prevent a bilateral solution of the Trieste problem, at present the chief stumbling block to an Italo-Yugoslav rapprochement that would contribute to the strengthening of Yugoslav resistance to Cominform pressure. Despite its false accusations, the Soviet note has placed the US, UK, and France on the propaganda defensive regarding their alleged disregard of the treaty. Western acceptance of the Soviet position would be regarded as a moral victory for the USSR and would please neither the Italians nor the Yugoslavs. In addition, by further inflaming public opinion over the issue, the USSR has not only made it more difficult for the Western Powers to bring pressure on the Italians or Yugoslavs to make any concessions but has revealed its intention to veto in the UN any bilateral solution that may be reached.

Yugo-Greek Relations Current steps toward the development of normal relations between Greece and Yugoslavia again emphasize the delicate nature of Yugoslav relations with the West in the context of the cold war. Because popular opinion in both countries is slow to forget the hatreds engendered by the recent civil war in Greece, both Yugoslavs and Greeks will be extremely sensitive to any actions which could be construed as favoring one country at the expense of the other and both countries will attempt to obtain US aid in settling outstanding issues. These obstacles to cordial relations include the problem of the kidnapped Greek children still in Yugoslavia, Yugoslav aspirations in Macedonia, and Greek distrust of Yugoslav Communism, as well as Yugoslavia's lingering suspicion

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toward the Greek "monarcho-fascists." The desire of both countries to strengthen their resistance to Cominform pressures, however, should provide a strong impetus for a gradual resolution of these differences.

Indian Resentment Indian friendship for the US, which developed markedly during 1948 and early 1949, appears to be giving way to dislike and resentment. This change in attitude illustrates the opportunistic nature of the earlier friendliness. Its immediate cause (a belief that the US will not give India substantial economic aid, is trying to change India's economic system, and favors Pakistan in the Kashmir dispute) reflects fundamental Indian characteristics which necessarily play a dominant part in India's relations with other countries.

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The Indian possesses a sharp brilliance: his command of language is excellent; his memory for what he has read or seen is outstanding; his ability to discuss convincingly any subject which interests him is impressive.

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On the other hand, long alien rule and discriminations have given him a feeling of national degradation. Moreover, as he looks on the squalor and backwardness of India and realizes that many of his aspirations for the new India will probably never be attained,

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He scorns the materialism of American civilization (as pointed out to him by many British in India) and believes that American power is self-seeking

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(a fear which the Communists and sometimes the British have carefully nurtured).

Under these circumstances, India cannot be regarded as a stable friend of the US. India's general attitude toward the US will be determined primarily by expedience; friendliness and cooperation can be expected only when the US position on any subject clearly advances problems of immediate concern to India.

Arab Hostility The current recrudescence of anti-US feeling in the Arab states stems from the widespread Arab belief that the US is rearming Israel and bringing pressure on the Arabs to make peace with Israel. This animosity indicates once again the extreme sensitivity of the Arabs on the question of a Palestine settlement and their obstinacy in the face of UN, US, and UK attempts to encourage peace negotiations. Manifestations of anti-US feelings include the recent bombing of the US Legations in Beirut and Damascus, incendiary public statements by Arab officials, and vigorous attacks against the US in the Arab press. Although responsible Arab officials may deplore such chauvinism, they dare not go counter to it. These signs of anti-US feeling indicate at least a temporary revival of Arab bitterness and exasperation toward US policy which not only seriously reduces US prestige but also creates conditions readily exploitable by the Communists.

Moroccan Attitude The traditional friendliness of Moroccan nationalists to the US is gradually turning to widespread distrust of US intentions regarding their aspirations for independence. The Moroccans no longer feel that the US will take concrete steps to persuade the French to relax their repressive colonial policy. Although the increasing public expression of anti-US sentiment is deplored by the Sultan and top nationalist leaders, it is playing into the hands of the

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Communists. Despair of US support and fear of complete extinction by the French of remaining Moroccan sovereignty is tending to force the nationalists into cooperation with the Moroccan Communist Party despite their apparently sincere antipathy to the USSR.

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WESTERN EUROPE

FRANCE

Economic Problems Although the French franc has been showing greater strength during the past six weeks, the Bidault Government is still confronted by severe financial difficulties which may threaten its existence during June. The French Treasury now estimates that its deficit for the second quarter of 1950 will total more than 200 billion francs. This is almost one-half of the estimated deficit for the entire fiscal year. Even this estimate may be optimistic; serious operating deficits are developing in the nationalized railroad and gas industries, and there is a tendency for foreign nations to draw heavily upon their franc holdings as the international position of the franc improves. Another problem confronting the Bidault Government is the growing surplus of some agricultural products, which is hindering the general ECA-backed program for large-scale expansion of French farm production by 1952-53. The uncertain marketing prospects created by these surpluses might lead to cut-backs in production at a time when greater emphasis is being placed on increased agricultural production especially for export. The French have already had to reduce their agricultural production goal from 25 to 16 percent above the prewar production level. Even the attainment of this more modest production goal is being seriously threatened by: (1) the steady downward trend in the number of acres of arable land; (2) the growing disparity between farm and industrial prices, which discourages farmers from increasing their production; and (3) the Government's neglect of measures to expand farm output while concentrating upon modernizing the industrial plant.

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E A S T E R N E U R O P E

SOVIET UNION

Atomic Production Western European sources are aiding the Soviet atomic program by providing raw diamonds required in the atomic manufacturing process. Raw diamonds from Switzerland and France are being used in plants in East Germany for the production of fine-mesh nickel screen, a material used in the manufacture of atomic weapons. The USSR is obtaining large quantities of this screen from East Germany and from Switzerland. The large amounts of screen obtained preclude the possibility that the material is intended for normal industrial uses, and the quantity of raw diamonds being imported means that the USSR is relying largely on Western European sources for these diamonds.

CZECHOSLOVAKIA

Steel Production The world renowned reputation of the Czechoslovak steel industry for the high quality of its products, particularly the alloy steels used for tools, instruments, and machinery, is being discredited by purchasers who report a marked deterioration in the quality of materials and workmanship. Several Swiss purchasers have found shipments from Czechoslovak plants unusable, and are seeking new sources of supply. Among the factors contributing to the deterioration in quality of Czechoslovak steels are: (1) a shortage of skilled workers and of competent supervisory and technical personnel; (2) shortages of high grade iron ore, iron and steel scrap, and alloying metals needed for producing alloy steels; (3) unrealistic production schedules, which the plants cannot

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meet; and (4) inefficient and obsolescent processing machinery. Under present conditions, there is no immediate prospect of correcting these deficiencies, and as complaints of customers become more and more widespread, the Czechoslovak Government will find it increasingly difficult to market alloyed steel products in Western countries.

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F A R E A S T

INDOCHINA

Troop Morale The comparatively high morale and efficiency of Vietnamese troops under the command of pro-Bao Dai Vietnamese officers and operating without French cadres may strengthen the Vietnam argument that forthcoming US military aid should be transferred directly to Vietnamese forces. The reported aggressiveness of these troops in operations against Ho Chi Minh's forces in North Vietnam tends to support the Bao Dai regime's contention that high morale among Vietnamese forces depends on the degree to which the French allow Vietnamese independence to become a reality.

At present the majority of Vietnam armed forces remain under French control, and only one high-level conference of Franco-Viet officials to consider the development of a distinct Vietnamese Army has been held during 1950. Funds for the Vietnamese Army are still allocated by the French, and all of the army's military equipment is loaned by the French. The vigor with which Bao Dai forces under Vietnamese command are reportedly fighting cannot be expected to continue unless relaxation of French control keeps abreast of Vietnamese willingness and ability to assume responsibility.

CHINA

Hainan Collapse The Nationalist collapse on Hainan illustrates that the moribund Chiang Kai-shek regime is still plagued by the problems of command disunity, faulty coordination and, most important, a lack of will to fight.

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CHINA

Although Hainan may have been deliberately sacrificed in order to cut Nationalist defense costs and conserve strength for the defense of Taiwan, both the speed of the Communist victory and the loss of half the territory still in Nationalist hands will have a most adverse effect on the morale of the military and civilian remnants of the National Government in Taiwan.

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